Fact Sheet

July 1999

USDA United States Department of Agriculture

Services for Farmers

Background

The Farm Service Agency (FSA), an agency of the Department of Agriculture, administers farm commodity and conservation programs for farmers and makes farm loans. FSA programs are primarily directed at agricultural producers or, in the case of loans, at those with farming experience.

FSA maintains its headquarters in Washington, D.C. Offices are located in each State, usually in a State capitol or near a State land-grant university, and in most agriculturally productive counties. State and county FSA committees, whose members are actively engaged in farming or ranching, administer and oversee FSA programs, activities, and the field activities of FSA.

Although the public may obtain general information from headquarters in Washington, D.C. and State offices, county offices administer all programs. Parties needing forms and program applications should visit the FSA office serving the county in which their land is located.

1996 Farm Bill

The 1996 Farm Bill, which became law on April 4, 1996, significantly changed U.S. agricultural policy. The legislation removes the link between income support payments and farm prices (in place since the '30s) by providing for seven annual fixed but declining "production flexibility contract payments." Participating producers receive government payments that are independent of farm prices, in contrast to the past when deficiency payments were dependent on farm prices.

Transition Payments

For decades, USDA made "deficiency payments" to producers of wheat, feed grains, cotton, and rice to make up the differences between target prices and seesawing market prices. The current bill caps spending for the first time, guaranteeing farmers a series of shrinking "transition payments" based on past subsidies, through fiscal year 2002. At the same time, the government no longer requires land to be idled or denies payments if farmers switch from their historical crop.

Contract Required

To receive payments and loans on program commodities, producers must have entered into a production flexibility contract for the period 1996-2002. That contract requires participating producers to comply with existing conservation plans for the farm, wetland provisions, and planting flexibility provisions, as well as to keep the land in agricultural uses. Farmers need not obtain catastrophic crop insurance if they agree to waive eligibility for disaster assistance.

The 1996 Farm Bill required USDA to hold a one-time signup in 1996. This was the only opportunity for producers to enroll, and those who failed to do so are not eligible at a later date. There will be no additional signups except for land coming out of the Conservation Reserve Program.

Commodity Credit Corporation

FSA finances commodity loan programs through the Commodity Credit Corporation (CCC), a government entity for which FSA provides operating personnel. The CCC helps maintain balanced and adequate supplies of farm commodities and aids in their orderly distribution. The CCC Charter Act authorizes CCC to support the prices of commodities through loans, purchases, payments and other operations. The act also makes available to CCC materials and facilities required in the production and marketing of farm commodities.

CCC Commodity Loans

FSA administers commodity loan programs for wheat, rice, corn, grain sorghum, barley, oats, oilseeds, mohair, honey, tobacco, peanuts, upland and extra long staple cotton, and sugar. FSA programs for these crops help stabilize farm income, help create a balance between the supply and demand of these crops, and help farmers at harvest time by providing interim financing.

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A producer must have entered into a production flexibility contract to be eligible for nonrecourse marketing assistance loans for wheat, feed grains, rice and upland cotton. FSA makes CCC commodity loans to eligible farmers on field crops using the stored crop as collateral. Loan rates are designed to keep the products competitive. CCC commodity loans, except for mohair and honey, are "nonrecourse," which means that a producer can forfeit or deliver the commodity to the government to discharge the loan in full. All production of a contract commodity by a producer who has entered into a production flexibility contract is eligible for loans.

Commodity Purchase Programs

Under the dairy price support program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices to support the price of milk. These purchases help maintain market prices at the legislated support level. The 1996 Farm Act eliminates dairy price support after December 31, 1999.

CCC also provides financing for the purchase, storage, and disposal of commodities in federal stocks. FSA employees are the administrative agents for CCC and are responsible for the inventory management of CCC's bulk and processed products.

Beyond the marketplace, CCC commodities help fill the need for hunger relief both in the United States and in foreign countries.

Noninsured Crop Disaster Assistance Program (NAP)

NAP protects growers of many crops for which federal crop insurance is not available. Losses resulting from natural disasters not covered by a crop insurance policy may also be eligible. NAP is available for crops grown commercially for food and fiber.

Farm Loans

FSA has direct and guaranteed loan programs to help farmers who are temporarily unable to obtain private, commercial credit. Often these are beginning farmers who have insufficient net worth to qualify for commercial credit. In other cases, these are farmers who have suffered financial setbacks from natural disasters, or who have limited resources with which to establish and maintain profitable farming operations.

Farmers who qualify can obtain their credit needs through the use of loan guarantees, where a local agricultural lender makes and services the loan, and FSA guarantees the loan up to a maximum of 90 percent (95 percent in some cases). For those unable to qualify for a loan guarantee from a commercial lender, FSA also makes direct loans. FSA officials provide credit counseling and supervision to direct borrowers.

Farm loans can only be approved for those who have repayment ability. The loans must be secured and are not "nonrecourse." Local FSA offices have further information about these loans.

Conservation Programs

FSA administers the Conservation Reserve Program (CRP) that protects fragile farmland by encouraging farmers to stop growing crops on highly erodible and environmentally sensitive lands. Farmers plant these lands in grass or trees and receive an annual rental payment for the term of the multi-year contract. The Conservation Reserve Enhancement Program (CREP) is an initiative established as part of the CRP. Under CREP, USDA is a partner with States and local interests to meet specific conservation objectives. CREP is results-oriented, requiring clear program goals and annual monitoring to measure progress and ensure success. Like CRP, CREP contracts require a 10- to 15-year commitment to keeping lands out of agricultural production, ensuring lasting benefits.

FSA Website

Farmers with Internet access may visit the FSA website to obtain information about their local county office, review services offered, download forms, and access historical program data.

The FSA website is located at:
http://www.fsa.usda.gov